

# MURPHY, SMITH & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

WWW.OSAGECPA.COM

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## NEWS RELEASE

FOR RELEASE: November 14, 2014

Murphy, Smith & Co. PLLC, of Osage today released an audit report on the City of Osage, Iowa.

The City's receipts totaled \$4,867,685 for the year ended June 30, 2014, an 8.6 percent increase from the prior year. The receipts included \$1,633,498 from charges for services, \$1,195,677 from property tax, \$676,148 from operating grants, contributions and restricted interest, \$546,787 from tax increment financing, \$330,513 from local option sales tax, \$61,852 from unrestricted interest on investments, \$15,260 from capital grants, contributions and restricted interest, and \$407,950 from other general receipts.

Disbursements for the year totaled \$4,898,168 a 14.0 percent increase from the prior year, and included \$701,883 for debt services, \$597,299 for public safety, and \$770,065, for culture and recreation. Also, disbursements for business type activities totaled \$839,527.

A copy of the report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at: <http://auditor.iowa.gov/reports/index.html>.

**CITY OF OSAGE**

**INDEPENDENT AUDITOR'S REPORTS  
PRIMARY GOVERNMENT FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2014**

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# City of Osage

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2014)</b>		
Steven Cooper	Mayor	Jan 2016
Rick Bodensteiner	Council Member	Jan 2014
Ken Boehmer	Council Member	Jan 2014
Larry Mork	Council Member	Jan 2014
Brian Adams	Council Member	Jan 2016
Kurt Elliott	Council Member	Jan 2016
Judy Voaklander	Council Member	Jan 2016
Cathy Penney	Clerk	Jan 2014
Bev Schuler	Treasurer	Jan 2014
Richard Gross	Attorney	Jan 2014
Jerry Dunlay	Director of Public Works	Jan 2014
Don Fox	Park Commissioner	Jan 2014
John Michels	Park Commissioner	Jan 2016
Angela Nasstrom	Park Commissioner	Jan 2018
Johanna Anderson	Library Trustee	Jul 2013
Pam Masmar	Library Trustee	Jul 2014
Lynn Haakenson	Library Trustee	Jul 2014
Mary Ann Carmody	Library Trustee	Jul 2017
Brad Weber	Library Trustee	Jul 2017
Dennis Johnson	Library Trustee	Jul 2018
Jerry Brandau	Library Trustee	Jul 2018

## **(After January 2014)**

Steven Cooper	Mayor	Jan 2016
Brian Adams	Council Member	Jan 2016
Kurt Elliott	Council Member	Jan 2016
Judy Voaklander	Council Member	Jan 2016
Rick Bodensteiner	Council Member	Jan 2018
Ken Boehmer	Council Member	Jan 2018
Larry Mork	Council Member	Jan 2018
Cathy Penney	Clerk	Jan 2016
Bev Schuler	Treasurer	Jan 2016
Richard Gross	Attorney	Jan 2016
Jerry Dunlay	Director of Public Works	Jan 2016
John Michels	Park Commissioner	Jan 2016
Angela Nasstrom	Park Commissioner	Jan 2018
Don Fox	Park Commissioner	Jan 2020
Mary Ann Carmody	Library Trustee	Jul 2017
Brad Weber	Library Trustee	Jul 2017
Dennis Johnson	Library Trustee	Jul 2018
Jerry Brandau	Library Trustee	Jul 2018
Johanna Anderson	Library Trustee	Jul 2019
Pam Masmar	Library Trustee	Jul 2020
Lynn Haakenson	Library Trustee	Jul 2020

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Osage, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Osage as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

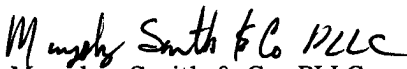
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Osage's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 9 and 25 through 27, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2014 on our consideration of the City of Osage's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Osage's internal control over financial reporting and compliance.

  
Murphy, Smith & Co. PLLC  
Certified Public Accountants  
Osage, Iowa  
October 1, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Osage provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 10.4%, or approximately \$355,000, from fiscal 2013 to fiscal 2014. Charges for service increased approximately \$337,000, and Local option sales tax increased by \$33,000.
- Disbursements of the City's governmental activities increased 25%, or approximately \$815,000, in fiscal 2014 from fiscal 2013. Debt service disbursements increased approximately \$12,000, and Capital project disbursements increased \$828,000.
- The City's total cash basis net position decreased .6%, or approximately \$27,000 from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities decreased approximately \$269,000 and the cash basis net position of the business type activities increased approximately \$242,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basis financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the primary government financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and solid waste collections. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and solid waste funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

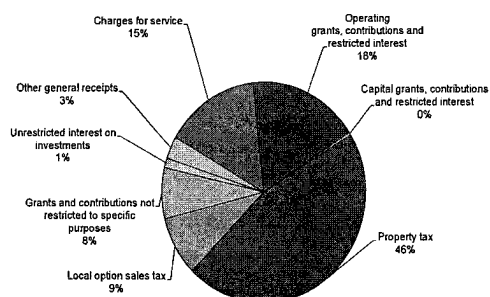


## GOVERNMENT-WIDE FINANCIAL ANALYSIS

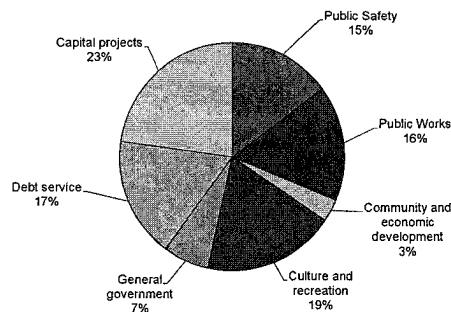
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$3.069 million to \$2.800 million. The analysis that follows focuses on changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 563	\$ 226
Operating grants, contributions and restricted interest	662	631
Capital grants, contributions and restricted interest	14	24
General receipts:		
Property tax	1,742	1,753
Local option sales tax	331	298
Grants and contributions not restricted to specific purposes	286	296
Unrestricted interest on investments	53	21
Other general receipts	126	173
Total receipts	<u>3,777</u>	<u>3,422</u>
<b>Disbursements:</b>		
Public safety	597	621
Public works	669	561
Culture and recreation	770	759
Community and economic development	131	236
General government	266	281
Debt service	702	690
Capital projects	923	95
Total disbursements	<u>4,058</u>	<u>3,243</u>
Change in cash basis net position before transfers	(281)	179
Transfers, net	<u>12</u>	<u>12</u>
Change in cash basis net position	(269)	191
Cash basis net position beginning of year	<u>3,069</u>	<u>2,878</u>
Cash basis net position end of year	<u>\$ 2,800</u>	<u>\$ 3,069</u>

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities increased 10.4%, or approximately \$355,000. The total cost of all programs and services increased approximately \$815,000, or 25%. Increased revenues were derived from additional Local Option Sales Tax, Road Use Tax and Hotel/Motel receipts and special assessment payments made by property owners at the conclusion of construction of the 2013 Street Improvements. Expenditures increased due to expenses for snow removal, road oil and fuel along with capital expenditures for 2013 Street Improvement project.

The cost of all governmental activities this year was \$4.058 million compared to \$3.243 million last year. However, as shown in the Statement of Activities and Net Position on pages 10-11, the amount taxpayers ultimately financed for these activities was only \$2.819 million because some of the cost was paid by those who directly benefited from the programs (\$563,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$676,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in 2014 from approximately \$881,000 to approximately \$1,240,000. The City paid for the remaining "public benefit" portion of governmental activities (\$2,819,000) with taxes (some of which could only be used for certain programs), with Local Option tax, Hotel/Motel taxes and other general revenues.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 430	\$ 411
Sewer	501	495
Solid waste	139	138
Operating grants, contributions and restricted interest	14	4
General receipts:		
Unrestricted interest on investments	9	12
Total receipts	<u>1,093</u>	<u>1,060</u>
Disbursements:		
Water	317	344
Sewer	401	567
Solid waste	121	142
Total disbursements	<u>839</u>	<u>1,053</u>
Change in cash basis net position before transfers	254	7
Transfers, net	<u>(12)</u>	<u>(12)</u>
Change in cash basis net position	242	(5)
Cash basis net position beginning of year	<u>1,281</u>	<u>1,286</u>
Cash basis net position end of year	<u>\$ 1,523</u>	<u>\$ 1,281</u>

Total business type activities receipts for the fiscal year were approximately \$1.093 million compared to approximately \$1.060 million last year. The cash balance increased by approximately \$242,000 from the prior year. Total disbursements for the fiscal year decreased by 20.3% to a total of approximately \$839,000; mostly due to reduction in capital expenditures in the Water department.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Osage completed the year, its governmental funds reported a combined fund balance of \$2,799,886, a decrease of \$269,254 under last year's total of 3,069,140. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$72,954 from the prior year to \$750,668. The increase can be attributed to actual expenditures being below budget while revenues were right at expectations.
- Road Use Tax Fund cash balance decreased \$894 to \$329,650.
- Tax Increment Financing Fund cash balance increased \$3,000 to \$449,112.
- The Debt Service Fund cash balance increased \$162,393 to \$312,138. This was due to closing the Public Safety Building Project Fund and transferring \$163,058 to Debt Service for future bond and interest payments.
- The Capital Project Fund cash balance decreased \$746,904 to (\$22,781). This decrease is due to completion of 2013 Street Project and closing the Public Safety Building Project Fund. Deficit will be eliminated as special assessment payments are made by property owners.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased \$131,324 to \$946,719, due to increased revenue and reduced expenditures.
- The Sewer Fund cash balance increased \$104,526 to \$488,040, primarily due to no longer having to make sewer revenue bond debt service payments.
- The Solid Waste Fund cash balance increased \$6,471 to \$89,808, due to reduction in contracted rates for residential collection. Monthly fees charged to residents remain the same to allow the City to set-aside funds to support City-wide clean-up to be done every 2-3 years.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 19, 2014 and resulted in an increase in operating disbursements related to expenditures for snow removal costs, fuel and road maintenance as well as anticipated capital improvements (Maple Trail & basketball court) in the Park Department. The budget amendment also reflects an increase in pass-thru of donations from Osage Municipal Utilities for the Cedar River Complex. Hotel/Motel receipts increased which resulted in additional spending for tourism advertising.

The City's receipts were \$396,751 less than budgeted. A \$500,000 Grant for wastewater plant was budgeted but not received. Grant will be received when the work is finished.

Total disbursements were \$1,124,278 less than the amended budget. This was primarily due to fewer Main Street and Commercial loans, and delays in work on City Park Trail and basketball court. Actual costs for salaries and benefits were below budget. The City budget reflected costs for wastewater plant upgrades which will not be completed until FY 2015.

## DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$5,326,000 in bonds and other long-term debt, compared to approximately \$5,767,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2014	2013
General obligation notes	\$ 1,896	\$ 2,147
Revenue bonds	3,430	3,620
Total	\$ 5,326	\$ 5,767

The City has carried a general obligation bond rating, with an A1 from Moody's in 2012, and an A from Standard & Poor's in 2012 to the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,896,000 is significantly below its constitutional debt limit of \$8.55 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Osage's elected and appointed officials consider many factors when setting the fiscal year budget, tax rates and fees. Property taxes and service fees provide 61% of the revenues necessary to provide services to the citizens of Osage.

The City property tax levy rate for fiscal year 2015 will drop for the second year. City-wide, the taxable valuation of properties has increased in each of the past nine years. The growth allows the city to continue to provide a high level of services to our citizens and maintain and improve City facilities. Tax Increment Financing Districts continue to produce revenue to fund economic development activities and debt service payments for the Pool/CRC project and Public Safety Building. Local Option Tax revenues are used to reduce property tax asking and provide funding for street improvements. Hotel/Motel taxes provide supplemental funds for Recreation, Tourism, and other community enhancements. Water and Sewer usage rates remain unchanged.

In April of 2011, Valent Biosciences Corporation announced plans to invest \$150 million in a new manufacturing facility in Mitchell County, adjacent to the Osage City limits. The company expects to add 90 jobs in the community. Production at Valent Biosciences facility is ramping up. The City will soon be operating the wastewater pre-treatment plant on the Valent campus. A to Z Drying Inc. is also expanding production and increasing warehouse space.

The residents of Osage continue to be impacted by state, national and international economic issues. Local employment remains stable. Four new homes are under construction. Main Street business buildings are occupied by a variety of retail and service providers.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cathy Penney, City Clerk, 806 Main Street, City of Osage, Iowa.

City of Osage

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions / Programs:</b>				
Governmental activities:				
Public safety	\$ 597,299	19,828	11,562	4,200
Public works	668,895	414,406	361,371	-
Health and social services	40	-	-	-
Culture and recreation	770,065	87,928	257,403	-
Community and economic development	131,327	172	-	10,178
General government	265,748	40,987	-	-
Debt service	701,883	-	32,014	-
Capital projects	923,384	-	-	-
Total governmental activities	4,058,641	563,321	662,350	14,378
Business type activities:				
Water	317,284	429,803	13,798	-
Sewer	401,312	501,473	-	882
Solid waste	120,931	138,901	-	-
Total business type activities	839,527	1,070,177	13,798	882
Total	\$ 4,898,168	1,633,498	676,148	15,260

**General Receipts:**

Property tax and other city tax levied for:  
    General purposes  
Tax increment financing  
Local option sales tax  
Grants and contributions not restricted to specific purposes  
Unrestricted interest on investments  
Miscellaneous  
Sale of capital assets  
Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

**Cash Basis Net Position**

Restricted:

    Nonexpendable:  
        Cemetery Perpetual Care

    Expendable:  
        Streets  
        Urban renewal purposes

    Debt Service  
    Other purposes

Unrestricted

**Total cash basis net position**

See notes to financial statements.

# Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (561,709)	-	\$ (561,709)
106,882	-	106,882
(40)	-	(40)
(424,734)	-	(424,734)
(120,977)	-	(120,977)
(224,761)	-	(224,761)
(669,869)	-	(669,869)
(923,384)	-	(923,384)
(2,818,592)	-	(2,818,592)
-	126,317	126,317
-	101,043	101,043
-	17,970	17,970
-	245,330	245,330
(2,818,592)	245,330	\$ (2,573,262)
\$ 1,195,677	-	\$ 1,195,677
546,787	-	546,787
330,513	-	330,513
285,511	-	285,511
52,861	8,991	61,852
122,439	-	122,439
3,550	-	3,550
12,000	(12,000)	-
2,549,338	(3,009)	2,546,329
(269,254)	242,321	(26,933)
3,069,140	1,282,246	4,351,386
\$ 2,799,886	1,524,567	\$ 4,324,453
\$ 110,725	-	\$ 110,725
329,650	-	329,650
2,619	-	2,619
446,493	-	446,493
126,371	-	126,371
1,784,028	1,524,567	3,308,595
\$ 2,799,886	1,524,567	\$ 4,324,453

City of Osage

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2014

		Special Revenue		
		Road	Tax	
		Use	Increment	
	General	Tax	Financing	Debt Service
Receipts:				
Property tax	\$ 735,799	-	-	-
Tax increment financing	-	-	546,787	-
Other city tax	47,557	-	-	-
Licenses and permits	8,393	-	-	-
Use of money and property	21,938	-	3,411	1,018
Intergovernmental	164,385	361,371	-	32,015
Charges for service	107,027	-	-	-
Special assessments	8,270	-	-	19,764
Miscellaneous	376,391	-	120,000	-
Total receipts	1,469,760	361,371	670,198	52,797
Disbursements:				
Operating:				
Public safety	594,702	-	-	-
Public works	306,630	362,265	-	-
Health and social services	-	-	-	-
Culture and recreation	642,624	-	100,313	-
Community and economic development	91,723	-	30,860	-
General government	264,248	-	-	-
Debt service	-	-	344,822	357,061
Capital projects	-	-	-	-
Total disbursements	1,899,927	362,265	475,995	357,061
Excess (deficiency) of receipts over (under) disbursements	(430,167)	(894)	194,203	(304,264)
Other financing sources (uses):				
Sale of capital assets	3,550	-	-	-
Operating transfers in	503,119	-	-	466,657
Operating transfers out	(3,548)	-	(191,203)	-
Total other financing sources (uses)	503,121	-	(191,203)	466,657
Change in cash balances	72,954	(894)	3,000	162,393
Cash balances beginning of year	677,714	330,544	446,112	149,745
Cash balances end of year	750,668	329,650	449,112	312,138
<b>Cash Basis Fund Balances</b>				
Nonspendable	\$ -	-	-	-
Restricted for:				
Urban Renewal purposes	-	-	2,619	-
Debt service	-	-	446,493	-
Streets	-	329,650	-	-
Other purposes	-	-	-	-
Committed	-	-	-	163,058
Assigned	19,964	-	-	149,080
Unassigned	730,704	-	-	-
Total cash basis fund balances	\$ 750,668	329,650	449,112	312,138

See notes to financial statements.

Exhibit B

Capital Projects	Nonmajor	Total
-	330,551	\$ 1,066,350
-	-	546,787
-	412,283	459,840
-	-	8,393
1,921	40,089	68,377
-	10,477	568,248
-	13,899	120,926
384,756	-	412,790
-	25,735	522,126
<u>386,677</u>	<u>833,034</u>	<u>3,773,837</u>
-	2,597	597,299
-	-	668,895
-	40	40
-	27,128	770,065
-	8,744	131,327
-	1,500	265,748
-	-	701,883
<u>923,384</u>	<u>-</u>	<u>923,384</u>
<u>923,384</u>	<u>40,009</u>	<u>4,058,641</u>
<u>(536,707)</u>	<u>793,025</u>	<u>(284,804)</u>
-	-	3,550
170,131	168,138	1,308,045
<u>(380,328)</u>	<u>(720,966)</u>	<u>(1,296,045)</u>
<u>(210,197)</u>	<u>(552,828)</u>	<u>15,550</u>
(746,904)	240,197	(269,254)
<u>724,123</u>	<u>740,902</u>	<u>3,069,140</u>
<u>(22,781)</u>	<u>981,099</u>	<u>\$ 2,799,886</u>
-	110,725	\$ 110,725
-	-	2,619
-	-	446,493
-	-	329,650
-	126,371	126,371
-	-	163,058
-	744,003	913,047
<u>(22,781)</u>	<u>-</u>	<u>707,923</u>
<u>(22,781)</u>	<u>981,099</u>	<u>\$ 2,799,886</u>



## City of Osage

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2014

	Enterprise Funds			
	Water	Sewer	Solid Waste	Total
Operating receipts:				
Charges for service	\$ 429,803	501,473	138,901	\$ 1,070,177
Operating disbursements:				
Business type activities	317,284	401,312	120,931	839,527
Excess (deficiency) of operating receipts over (under) operating disbursements	112,519	100,161	17,970	230,650
Non-operating receipts (disbursements):				
Intergovernmental	-	882	-	882
Interest on investments	5,007	3,483	501	8,991
Miscellaneous	13,798	-	-	13,798
Net non-operating receipts (disbursements)	18,805	4,365	501	23,671
Excess (deficiency) of receipts over (under) disbursements	131,324	104,526	18,471	254,321
Other financing sources (uses):				
Transfers out	-	-	(12,000)	(12,000)
Total other financings sources (uses)	-	-	(12,000)	(12,000)
Change in cash balances	131,324	104,526	6,471	242,321
Cash balances beginning of year	815,395	383,514	83,337	1,282,246
Cash balances end of year	\$ 946,719	488,040	89,808	\$ 1,524,567
<b>Cash Basis Fund Balances</b>				
Unrestricted	\$ 946,719	488,040	89,808	\$ 1,524,567
Total cash basis fund balances	\$ 946,719	488,040	89,808	\$ 1,524,567

See notes to financial statements.

City of Osage

Notes to Financial Statements

June 30, 2014

**(1) Summary of Significant Accounting Policies**

The City of Osage is a political subdivision of the State of Iowa located in Mitchell County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and solid waste utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Osage has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Osage (the primary government) and exclude the City's component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its respective administrative office.

**Component Unit**

Osage Municipal Utilities is a component unit of the City of Osage and is not presented in these primary government financial statements. It is legally separate from the City, but is financially accountable to the City. A five-member board, appointed by the Mayor, governs the Utilities. The Utilities operating budget is subject to the approval of the City Council.

### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no known ongoing financial interest or responsibility by the participating governments except for Floyd-Mitchell-Chickasaw County Solid Waste Management Agency and Upper Cedar Watershed Management Improvement Authority (see Note 11 and 12). City officials are members of the following boards and commissions: Mitchell County Assessor's Conference Board, Mitchell County Emergency Management Commission, Floyd-Mitchell-Chickasaw County Solid Waste Management Agency, Mitchell County Joint E911 Service Board, Floyd County Joint E911 Service Board, Cedar River Recreation and Fine Arts Complex, and Osage Community and Surrounding Areas Fire Service Agreement.

### **B. Basis of Presentation**

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Cemetery Perpetual Care Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for projects related to the construction of capital assets.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Solid Waste Fund is used to account for garbage collection services to the citizens of Osage.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City of Osage funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances:**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
U.S. treasury securities	<u>\$10,288</u>	<u>\$13,200</u>	August 2019

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

### (3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	121,000	95,295	215,000	146,018	336,000	241,313
2016	126,000	91,342	240,000	138,055	366,000	229,397
2017	131,000	87,158	250,000	128,780	381,000	215,938
2018	131,000	82,407	275,000	119,405	406,000	201,812
2019	136,000	77,658	285,000	108,405	421,000	186,063
2020-2024	586,000	302,590	1,750,000	342,165	2,336,000	644,755
2025-2029	665,000	126,350	415,000	19,505	1,080,000	145,855
Total	<u>\$ 1,896,000</u>	<u>\$ 862,800</u>	<u>3,430,000</u>	<u>1,002,333</u>	<u>\$ 5,326,000</u>	<u>\$ 1,865,133</u>

#### Urban Renewal Revenue Annual Appropriation Bonds

The City issued two urban renewal revenue annual appropriation bonds for a total of \$4,145,000 in September 2010 for the purpose of redeeming the Urban Renewal Revenue Annual Appropriation Capital Loan Notes, Series 2008 and to pay project expenses related to the Cedar River Complex in the urban renewal district. The bonds are payable solely out of the net revenues of the project area, including the tax increment revenue. Total principal and interest remaining on the bonds is \$4,432,333, payable through June 2025. For the current year principal/interest paid and total TIF receipts were \$344,822 and \$670,198, respectively.

#### **(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$90,393, \$86,187, and \$77,800, respectively, equal to the required contributions for each year.

#### **(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses in the form of a traditional plan and a high deductible plan each costing the City the same amount. There are 20 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$434.54 for single, \$889.94 for employee and spouse, \$822.59 for employee and child, and \$1,333.60 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$259,434.69 and plan members eligible for benefits contributed \$10,007.88 to the plan.

#### **(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory termination payments for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory termination payments payable to employees at June 30, 2014, is as follows:

Type of Benefit	Amount
Vacation	\$ 36,465
Compensatory	<u>6,502</u>
Total	<u>\$ 42,967</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

City employees also accumulate a limited amount of earned but unused sick leave hours for subsequent use. However, sick leave time is canceled if an employee leaves his or her employment with the City.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 309,220
	Emergency Levy	22,263
	Local Option Sales Tax	118,820
	Park and Recreation	36,866
	Police Special Project/DARE	1,450
	Library Building Equipment Materials	2,500
	Enterprise:	
	Solid Waste	12,000
		<u>\$ 503,119</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	186,329
	Capital Projects	114,786
	Capital Improvements	165,542
		<u>\$ 466,657</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	165,257
	Tax Increment Financing	4,874
		<u>\$ 170,131</u>
Special Revenue:		
Fire Truck	Capital Improvement Revolving	48,589
	Jaws of Life	9,651
	Capital Projects	100,000
		<u>\$ 158,240</u>
Jaws of Life	General	200
Library Building Equipment Materials	General	3,348
Main Street Loan	Special Revenue:	
	Commercial Loan	6,350
		<u>\$ 9,898</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$1,951 during the fiscal year ended June 30, 2014.

**(9) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Component Unit**

Osage Municipal Utilities is a component unit of the City of Osage. It is not included in this report. Following are the transactions between the City and the Utilities:

City paid to Utilities:	
Utilities	\$ 150,196
Billing services (bookkeeping)	18,000
Phone and internet	6,624
Miscellaneous	40,244
Total	<u>\$ 215,064</u>



Utilities paid to City:	
Collections for water, sewer, and garbage	\$ 1,029,761
Donations in lieu of taxes	106,152
Pool Support Donations	175,000
Cable franchise fee	30,879
Miscellaneous	<u>13,943</u>
Total	<u>\$ 1,355,735</u>

**(11) Floyd-Mitchell-Chickasaw Solid Waste Management Agency**

The City, in conjunction with fourteen other municipalities, has created the Floyd-Mitchell-Chickasaw Solid Waste Management Agency. The Agency was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Agency will be prorated among the municipalities. The Agency is governed by a board composed of an elected or appointed representative of the governing body of each participating governmental jurisdiction.

The Agency may not be accumulating sufficient financial resources and the participating governments are obligated for a proportionate share of the debt, therefore, the City of Osage may have an ongoing financial responsibility. The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2014, the City of Osage paid Jendro Sanitation \$113,252 for residential trash collection. The sanitation company is then responsible for paying all landfill fees for the City's share of the cost. Completed financial statements for the Agency can be obtained from the Floyd-Mitchell-Chickasaw Solid Waste Management Agency.

**(12) Upper Cedar Watershed Management Improvement Authority**

The City, in conjunction with twenty four other municipalities, county governments, and Iowa soil and water conservation districts, entered into an agreement called the Upper Cedar Watershed Management Improvement Authority Agreement. The agreement was established for the primary purpose of providing the manner in which the parties shall cooperate with one another to successfully plan for and implement watershed improvements within the Iowa portion of the Upper Cedar Watershed.

**(13) Economic Development**

The City provided funds to Osage Manufacturing, Inc. (OMI), under the provisions of Chapter 15A of the Code of Iowa in the form of a loan with 2.5% to 5% interest, payable at \$741 of principal plus interest per month. The balance owed to the City at June 30, 2014 by OMI was \$64,443. The City also provided funds to A to Z Drying, Inc. under the provisions of Chapter 15A of the Code of Iowa in the form of a loan with 1% interest payable and principal of \$1,401 per month. The balance owed to the City at June 30, 2014 by A to Z Drying, Inc. was \$0.

Under the Main Street Loan Program, the City provides funds to small businesses along Main Street, in accordance with the provisions of Chapter 15A of the Code of Iowa. The Main Street Loan Program is currently made up of twelve loans with no interest. The balance of the loans at June 30, 2014 was \$92,400. Payments are to be made on January 10<sup>th</sup> or the anniversary date for the first four years in the amount of one tenth of the original issue. A balloon payment for the remaining balance is due on January 10<sup>th</sup> or the anniversary date of the fifth year.

The Commercial Loan Program expands on the Main Street Loan Program to include small business off of Main Street and outside the Tax Increment Financing District under provisions of Chapter 15A of the Code of Iowa. The Commercial Loan Program is currently made up of eight loans with no interest. The balance of these loans at June 30,

2014 was \$45,567 and payments are handled in the same manner as the Main Street Loans mentioned in the preceding paragraph.

In May of 2004, the City approved an agreement with A to Z Drying, Inc. in connection with the company's development of an expanded facility in the Urban Renewal Area. The agreement entitles the Company to receive assistance in the form of a rebate by the City of 80% of Tax Increment received from the Minimum Improvements. The rebate extends until June 30, 2016 and at no time shall exceed \$14,000 annually.

In August of 2011, the City approved an agreement with A to Z Drying, Inc. in connection with the company's development of an expanded facility in the Urban Renewal Area. The agreement entitles the Company to receive assistance in the form of a rebate by the City of 80% of Tax Increment received from the Minimum Improvements. The rebate shall begin on October 1, 2014 and extends until June 30, 2024 and at no time shall exceed \$26,000 annually.

In November of 2011, the City approved an agreement with Osage Hotel & Suites, LLC in connection with the company's development of a facility in the Urban Renewal Area. The agreement entitles the Company to receive assistance in the form of a rebate by the City of 80% of Tax Increment received from the Minimum Improvements. The rebate begins on October 1, 2014 and extends until June 30, 2024 and at no time shall exceed \$45,000 annually.

In August of 2013, the City approved as agreement with A to Z Drying, Inc. in connection with the company's development of an expanded facility in the Urban Renewal Area. The agreement entitles the Company to receive assistance in the form of a rebate by the City of 80% of the Tax Increment received from the Minimum Improvements. The rebate begins on October 1, 2015 and extends until June 30, 2025 and at no time shall exceed \$5,500 annually.

In March of 2013, the City approved an agreement with Tower Properties LLC in connection with the company's proposal to purchase and to lease a vacant industrial building in the Urban Renewal Area. The agreement entitles the Company to receive assistance in the form of payments by the City for five fiscal years or until total payments equal to \$52,500 have been made. The annual payments will be equal to 80% of Tax Increment received from the Project. If the property was purchased and leased by July 1, 2013 the first payment could begin on June 30, 2015 and at no time shall exceed \$10,500 annually.

#### **(14) Housing Revenue Bonds**

The City has previously issued \$1,600,000 of housing revenue bonds under the provisions of Chapter 419 of the Code of Iowa of which \$0 is outstanding at June 30, 2014. The bonds and related interest are payable solely from the rents payable by tenants of the property constructed, and the bond principal and interest do not constitute liabilities of the City. The bonds were issued for the benefit of Martin Luther Homes, Inc., Evergreen Senior Housing.

#### **(15) Leases**

The City leases tower space and property to U.S. Cellular, Osage Municipal Utilities and Verizon Wireless under three and five-year renewable operating leases. The City receives monthly payments of \$113, \$227 and \$619 from U.S. Cellular, Osage Municipal Utilities and Verizon Wireless, respectively. Under the terms of the current lease agreements, annual payments for each of the following three fiscal years are as follows:

2015	9,465
2016	1,352
2017	1,127

The Osage Public Library leases approximately 1,000 square feet of space to North Iowa Area Community College (NIACC) under a two-year renewable lease. The City of Osage received a payment of \$4,000 for the year of the two-year renewable lease in fiscal year 2014.

Total income from leases for fiscal year ending June 30, 2013 was \$15,516.

Also, the City leases the parking lot property from Mayer's Digging Company at the soccer field. The City pays \$1 per year for the property renewable annually.

**(16) USDA Loan Guarantee**

On June 9, 2000, the Osage Community Daycare received \$200,000 in note proceeds under United States Department of Agriculture (USDA) Notes. The proceeds were received from two separate \$100,000 notes. The notes are not a general obligation of the City but are payable solely and only from pledges of private funds to be donated to the Osage Community Daycare. The notes bear interest at 5.00% and 4.75% per year, respectively. Interest and principal is paid monthly beginning on July 9, 2002 and each month thereafter until maturity. Monthly interest and principal payments of \$491 and \$475, respectively, are due until maturity on May 9, 2040. The City has guaranteed to pay from its General Fund, up to \$200,000 of the principal amount if revenues from the Osage Community Daycare are not sufficient to make such payment. The Osage Community Daycare was current on their payments as of June 30, 2014.

**(17) Commitments**

As of June 30, 2014, the City had the following commitments with respect to the following project:

	<u>Remaining Commitment</u>	<u>Expected Date of Completion</u>
Sanitary Sewer Cleaning	\$ <u>68,171</u>	September 2014
Total	\$ <u>68,171</u>	

**(18) Partial Self Funded Insurance**

The City will pay up to \$500 for a single and up to \$1,000 for a family for each employee's deductible on his or her health insurance plan. For the period ending June 30, 2014 the City had seven employees on the partial self funded insurance plan with a maximum liability of \$5,500 and expenditures of \$500 leaving a remaining liability of \$5,000 thru the end of December 2014.

**(19) Subsequent Events**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 1, 2014.

City of Osage

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,066,350	-	-
Tax increment financing	546,787	-	-
Other city tax	459,840	-	-
Licenses and permits	8,393	-	-
Use of money and property	68,377	8,991	-
Intergovernmental	568,248	882	-
Charges for service	120,926	1,070,177	800
Special assessments	412,790	-	-
Miscellaneous	522,126	13,798	735
Total receipts	<u>3,773,837</u>	<u>1,093,848</u>	<u>1,535</u>
Disbursements:			
Public safety	597,299	-	-
Public works	668,895	-	-
Health and Social Services	40	-	-
Culture and recreation	770,065	-	-
Community and economic development	131,327	-	-
General government	265,748	-	-
Debt service	701,883	-	-
Capital projects	923,384	-	-
Business type activities	-	839,527	-
Total disbursements	<u>4,058,641</u>	<u>839,527</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(284,804)	254,321	1,535
Other financing sources (uses), net	<u>15,550</u>	<u>(12,000)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(269,254)	242,321	1,535
Balances beginning of year	<u>3,069,140</u>	<u>1,282,246</u>	<u>109,190</u>
Balances end of year	<u>\$ 2,799,886</u>	<u>1,524,567</u>	<u>110,725</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 1,066,350	1,063,336	1,063,336	\$ 3,014
546,787	604,670	554,670	(7,883)
459,840	376,204	449,904	9,936
8,393	7,350	7,350	1,043
77,368	38,835	40,960	36,408
569,130	1,102,301	1,124,201	(555,071)
1,190,303	1,099,900	1,095,900	94,403
412,790	279,585	412,630	160
535,189	427,000	513,950	21,239
<u>4,866,150</u>	<u>4,999,181</u>	<u>5,262,901</u>	<u>(396,751)</u>
597,299	652,979	664,479	67,180
668,895	648,885	746,238	77,343
40	3,250	3,250	3,210
770,065	766,639	897,514	127,449
131,327	227,235	269,835	138,508
265,748	285,595	297,095	31,347
701,883	701,935	701,935	52
923,384	1,175,000	925,000	1,616
839,527	1,517,100	1,517,100	677,573
<u>4,898,168</u>	<u>5,978,618</u>	<u>6,022,446</u>	<u>1,124,278</u>
(32,018)	(979,437)	(759,545)	727,527
<u>3,550</u>	<u>626,030</u>	<u>24,230</u>	<u>(20,680)</u>
(28,468)	(353,407)	(735,315)	706,847
<u>4,242,196</u>	<u>3,445,138</u>	<u>4,351,386</u>	<u>(109,190)</u>
<u>\$ 4,213,728</u>	<u>3,091,731</u>	<u>3,616,071</u>	<u>\$ 597,657</u>

City of Osage

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$43,828 and increased budgeted receipts by \$263,720. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements did not exceed the amount budgeted.

City of Osage  
 Schedule of Cash Receipts, Disbursements  
 and Changes in Cash Balances  
 Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Special Revenue				
	Local Option Sales Tax	Forfeited Property	Employee Benefits	Emergency Levy	Hotel/Motel
<b>Receipts:</b>					
Property Tax	\$ -	-	308,351	22,200	-
Other City Tax	330,513	-	869	63	80,838
Use of Money & Property	1,257	21	-	-	394
Intergovernmental	-	-	-	-	-
Charges for Service	-	1,356	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	<u>331,770</u>	<u>1,377</u>	<u>309,220</u>	<u>22,263</u>	<u>81,232</u>
<b>Disbursements:</b>					
Operating					
Public Safety	-	271	-	-	1,500
Health and social services	-	-	-	-	40
Culture and recreation	-	-	-	-	27,128
Community and economic development	-	-	-	-	8,744
General government	-	-	-	-	1,500
Total disbursements	<u>-</u>	<u>271</u>	<u>-</u>	<u>-</u>	<u>38,912</u>
Excess (deficiency) of receipts over (under) disbursements	<u>331,770</u>	<u>1,106</u>	<u>309,220</u>	<u>22,263</u>	<u>42,320</u>
<b>Other Financing Sources (uses)</b>					
Operating Transfers in	-	-	-	-	-
Operating Transfers out	(284,077)	-	(309,220)	(22,263)	-
Total other financing sources (uses)	<u>(284,077)</u>	<u>-</u>	<u>(309,220)</u>	<u>(22,263)</u>	<u>-</u>
Change in cash balances	47,693	1,106	-	-	42,320
Cash balances beginning of year	<u>221,411</u>	<u>4,985</u>	<u>-</u>	<u>-</u>	<u>48,110</u>
Cash balances end of year	<u>\$ 269,104</u>	<u>6,091</u>	<u>-</u>	<u>-</u>	<u>90,430</u>
<b>Cash Basis Fund Balances</b>					
Nonspendable	\$ -	-	-	-	-
Restricted for:					
Other purposes	-	6,091	-	-	28,814
Un-Assigned	<u>269,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,616</u>
Total cash basis fund balances	<u>\$ 269,104</u>	<u>6,091</u>	<u>-</u>	<u>-</u>	<u>90,430</u>

See accompanying independent auditor's report.

					Special
	Jaws of Life	Parks and Recreation	Commercial Loan	Library Building Equipment Materials	Main Street Loan
<b>Receipts:</b>					
Property Tax	-	-	-	-	-
Other City Tax	-	-	-	-	-
Use of Money & Property	63	604	19,181	4,636	13,605
Intergovernmental	-	10,177	-	-	-
Charges for Service	-	11,743	-	-	-
Miscellaneous	400	22,158	-	-	-
Total receipts	463	44,682	19,181	4,636	13,605
<b>Disbursements:</b>					
Operating					
Public Safety	826	-	-	-	-
Health and social services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	-	-	-	-
General government	-	-	-	-	-
Total disbursements	826	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	(363)	44,682	19,181	4,636	13,605
<b>Other Financing Sources (uses)</b>					
Operating Transfers in	200	-	-	3,348	6,350
Operating Transfers out	(9,651)	(36,866)	(6,350)	(2,500)	-
Total other financing sources (uses)	(9,451)	(36,866)	(6,350)	848	6,350
Change in cash balances	(9,814)	7,816	12,831	5,484	19,955
Cash balances beginning of year	9,814	100,697	45,949	104,281	41,880
Cash balances end of year	-	108,513	58,780	109,765	61,835
<b>Cash Basis Fund Balances</b>					
Nonspendable	-	-	-	-	-
Restricted for:					
Other purposes	-	29,631	-	-	61,835
Assigned	-	78,882	58,780	109,765	-
Total cash basis fund balances	-	108,513	58,780	109,765	61,835



Schedule 1 Con't

Capital Improvement Revolving	Revenue		Permanent		Total
	Police Special Project /DARE	Fire Truck	Cemetery Perpetual Care		
-	-	-	-	\$	330,551
-	-	-	-		412,283
263	44	21	-		40,089
-	300	-	-		10,477
-	-	-	800		13,899
210	2,232	-	735		25,735
473	2,576	21	1,535		833,034
-	-	-	-		2,597
-	-	-	-		40
-	-	-	-		27,128
-	-	-	-		8,744
-	-	-	-		1,500
-	-	-	-		40,009
473	2,576	21	1,535		793,025
-	-	158,240	-		168,138
(48,589)	(1,450)	-	-		(720,966)
(48,589)	(1,450)	158,240	-		(552,828)
(48,116)	1,126	158,261	1,535		240,197
48,116	6,469	-	109,190		740,902
-	7,595	158,261	110,725	\$	981,099
-	-	-	110,725	\$	110,725
-	-	-	-	\$	126,371
-	7,595	158,261	-		744,003
-	7,595	158,261	110,725	\$	981,099

City of Osage  
Schedule of Indebtedness  
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
2008A G.O. Capital Loan Notes	6/1/2008	2.75-4.00%	1,345,000
2009 BAB G.O. Capital Loan Notes	7/1/2009	2.80-6.20%	2,010,000
2010 REDLG Public Safety	8/6/2010	0.00%	360,000
Total			
Revenue bonds:			
2010A Urban Renewal Revenue Annual Appropriation	9/1/2010	1.00-4.70%	3,770,000
2010B Urban Renewal Revenue Annual Appropriation	9/1/2010	4.75%	375,000
Total			

See accompanying independent auditor's report.

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
130,000	-	130,000	-	4,550	-
1,765,000	-	85,000	1,680,000	98,568	-
252,000	-	36,000	216,000	-	-
<u>2,147,000</u>	<u>-</u>	<u>251,000</u>	<u>\$ 1,896,000</u>	<u>\$ 103,118</u>	<u>-</u>
3,420,000	-	125,000	3,295,000	143,355	-
200,000	-	65,000	135,000	9,500	-
<u>3,620,000</u>	<u>-</u>	<u>190,000</u>	<u>\$ 3,430,000</u>	<u>\$ 152,855</u>	<u>-</u>

## City of Osage

## Bond and Note Maturities

June 30, 2014

General Obligation Notes					
Year Ending June 30,	008BAB G.O. Capital Loan Note		2010 REDLG Public Safety		Total
	Issued Jul 1, 2009		Issued Aug 6, 2010		
	Interest Rates	Amount	Interest Rates	Amount	
2015	4.65	85,000	0.00	36,000	121,000
2016	4.65	90,000	0.00	36,000	126,000
2017	5.00	95,000	0.00	36,000	131,000
2018	5.00	95,000	0.00	36,000	131,000
2019	5.35	100,000	0.00	36,000	136,000
2020	5.35	100,000	0.00	36,000	136,000
2021	5.75	105,000		-	105,000
2022	5.75	110,000		-	110,000
2023	5.90	115,000		-	115,000
2024	5.90	120,000		-	120,000
2025	6.00	125,000		-	125,000
2026	6.00	125,000		-	125,000
2027	6.20	130,000		-	130,000
2028	6.20	140,000		-	140,000
2029	6.20	145,000		-	145,000
Total		\$ 1,680,000		\$ 216,000	\$ 1,896,000
Revenue Bonds					
Year Ending June 30,	2010A Urban Renewal		2010B Urban Renewal		Total
	Revenue Annual		Revenue Annual		
	Appropriation		Appropriation		
	Issued Sep 1, 2010		Issued Sep 1, 2010		
	Interest Rates	Amount	Interest Rates	Amount	
2015	3.25	150,000	4.75	65,000	215,000
2016	3.50	170,000	4.75	70,000	240,000
2017	3.75	250,000		-	250,000
2018	4.00	275,000		-	275,000
2019	4.10	285,000		-	285,000
2020	4.20	310,000		-	310,000
2021	4.30	330,000		-	330,000
2022	4.40	345,000		-	345,000
2023	4.50	365,000		-	365,000
2024	4.60	400,000		-	400,000
2025	4.70	415,000		-	415,000
Total		\$ 3,295,000		\$ 135,000	\$ 3,430,000

See accompanying independent auditor's report.

City of Osage

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:				
Property tax	\$ 1,066,350	1,052,627	975,652	910,338
Tax increment financing	546,787	598,705	590,639	589,220
Other city tax	459,840	399,970	362,729	339,082
Licenses and permits	8,393	9,184	7,979	8,049
Use of money and property	68,377	93,830	50,892	79,327
Intergovernmental	568,248	557,739	516,672	470,221
Charges for service	120,926	127,513	126,352	100,715
Special assessments	412,790	63,780	69,584	264,414
Miscellaneous	522,126	519,807	530,853	775,559
Total	<u>\$ 3,773,837</u>	<u>3,423,155</u>	<u>3,231,352</u>	<u>3,536,925</u>
Disbursements:				
Operating:				
Public safety	\$ 597,299	620,857	980,618	544,783
Public works	668,895	561,351	668,607	532,216
Health and social services	40	363	717	-
Culture and recreation	770,065	759,390	693,260	631,683
Community and econ. development	131,327	235,672	236,150	297,984
General government	265,748	280,446	308,360	271,159
Debt service	701,883	690,123	1,444,619	3,688,210
Capital projects	923,384	95,422	3,323	1,565,687
Total	<u>\$ 4,058,641</u>	<u>3,243,624</u>	<u>4,335,654</u>	<u>7,531,722</u>

See accompanying independent auditor's report.

Schedule 4

2010	2009	2008	2007	2006	2005
862,795	839,252	816,163	986,053	948,134	924,410
546,172	522,457	504,941	474,680	433,742	400,831
373,545	338,849	351,569	281,002	245,649	222,034
5,989	4,596	8,414	6,424	6,245	7,033
107,632	170,001	163,946	130,831	111,443	61,027
737,768	1,667,691	636,485	405,980	432,009	645,194
55,769	54,749	61,844	62,590	62,099	50,849
136,036	372,699	77,316	302,380	60,104	198,032
337,540	223,881	188,078	153,387	182,660	191,797
<u>3,163,246</u>	<u>4,194,175</u>	<u>2,808,756</u>	<u>2,803,327</u>	<u>2,482,085</u>	<u>2,701,207</u>
541,641	539,751	601,197	439,691	451,189	414,667
579,328	469,604	508,426	399,694	351,946	356,906
-	-	-	-	-	-
426,520	418,306	481,000	422,427	413,221	413,562
585,756	1,424,797	616,383	368,506	125,515	100,988
246,146	223,844	238,329	217,936	257,076	209,121
633,140	453,268	138,241	539,631	431,218	462,534
2,258,179	3,774,284	569,203	285,069	580,557	193,032
<u>5,270,710</u>	<u>7,303,854</u>	<u>3,152,779</u>	<u>2,672,954</u>	<u>2,610,722</u>	<u>2,150,810</u>

# MURPHY, SMITH & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Governmental Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Osage, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 1, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Osage's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Osage's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Osage's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of City of Osage's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We do not consider the deficiency described in Part II of the accompanying Schedule of Findings to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Osage's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

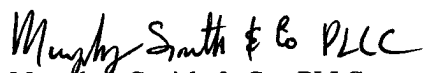
### The City of Osage's Responses to Findings

The City of Osage's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Osage's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Osage during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
Murphy, Smith & Co. PLLC  
Certified Public Accountants  
Osage, Iowa  
October 1, 2014



City of Osage

Schedule of Findings

Year ended June 30, 2014

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the primary government financial statements.

City of Osage

Schedule of Findings

Year ended June 30, 2014

**Part II: Findings Related to the Primary Government Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-14     Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Osage  
Schedule of Findings  
Year ended June 30, 2014

**Part III: Other Findings Related to Statutory Reporting:**

- III-A-14 Certified Budget – Disbursements for the year ended June 30, 2014 did not exceed the amount budgeted.
- III-B-14 Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- III-C-14 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-14 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Brian Adams, Council Member, Brother is owner of Adams Plumbing and Heating	Maintenance, parts and labor	\$ 974
Steven Cooper, Mayor, Owner of Coopers Auto	Parts and labor	924
John Michels, Park Board Member	Umpire	54

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

- III-E-14 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-14 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- III-H-14 Revenue Bonds – No instances of non-compliance with the revenue bonds resolutions were noted.

City of Osage

Schedule of Findings

Year ended June 30, 2014

III-I-14     Telecommunications Utility – Osage Municipal Utilities, a component unit of the City, has been audited separately and its financial statements are under a separate cover. The report dated September 16, 2014 indicated that no instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

III-J-14     Financial Condition – At June 30, 2014, the Capital Projects Fund had a deficit balance of \$22,780.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – We will do so.

Conclusion – Response accepted.